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South Africa - Republic of

FRESH DECIDUOUS FRUIT SEMI-ANNUAL

Apples, Pears, and Table Grapes

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Report Highlights:

Deciduous fruit production in CY2009 is forecast relatively stable with apple production decreasing slightly, while pear production rises slightly. Table grape production is down slightly year on year. Estimates for fresh domestic consumption of table grapes are higher, reflecting improved data collection. South Africa is finally beginning to feel the impact of the global economic situation and may experience tougher export markets in CY2009.

Executive Summary:

Throughout 2008, the deciduous fruit industry seemed immune to the global economic crisis. However, as the CY2009 export season began in earnest in February, exporters began to feel the effects of the credit crunch and global economic downturn. More specifically, large buyers in the UK and Europe began demanding smaller shipments at one time and requested extended credit from a norm of 90 days to up to 160 days. The fruit export industry is coping with the changes, but may

experience a downturn in exports as the rand begins to strengthen against the dollar.

Coming off a few years of higher than normal exports due to a weak rand, which made the export market more attractive compared to the local market, the fruit export industry is battenning down to weather the storm that may occur in 2009. Faced with increased input costs, coupled with falling demand in key markets, there may be more fruit available in the local fresh market or sent to processors.

Prices for selected high-demand pear varieties mainly for canning are higher this year, causing decreased volumes of these types available for export. However, increased area coming in to production of other pear varieties will likely more than compensate for that decrease.

In apples, it was reported about 10 percent of the Golden Delicious crop was lost due to a misapplication of thinning agent. Nevertheless, Golden Delicious and Granny Smith remain the most popular varieties for the export markets.

In table grapes, there are quality concerns in the late areas. Flooding in the Hex Valley during flowering contributed to the loss of approximately 9,000 tons of production. The remaining production that was not completely lost was severely affected and has translated into poor quality.

Commodities:

Apples, Fresh
Apple Juice, Concentrated
Grapes, Table, Fresh
Pears, Fresh

Production:

Apples

Harvest of the most recent apple crop began at the end of January with early varieties such as Royal Gala and Royal Beaut. The later varieties, Granny Smith and Cripps Red were harvested through the end of April to the beginning of May. Official production data has not been published, as of yet, but industry reports total apple production to be around 746,870MT, slightly lower than last year's production of 748,699 MT.

Final data from the Deciduous Fruit Producers Trust, indicates total apple production in CY2008 was 748,699 MT.

Pears

Pear harvest began during the last weeks of December and continued into March 2009. Early varieties included Williams Bon Chretien, and accounted for approximately 30,000 MT. Later varieties are Forelle (90,000 MT) and Packham Triumph (100,000 MT). Official production has not been published, yet, but industry reports total pear production for 2009 to be 366,385 MT.

Final data from the Deciduous Fruit Producers Trust, indicates total pear production in CY2008 was 342,143 MT.

Table Grapes

South Africa has one of the longest supply seasons of all the table grape producing countries in the world. Harvest of early varieties, such as Prime and Flame Seedless, begins in October. The latest varieties, Dauphine and Barlinka, are harvested in May. South Africa produces a diverse spectrum of table grapes, including seeded and seedless varieties in red, white, and black colors. Seedless varieties are becoming increasingly popular.

Approximately 80 hectares of production was lost in the Hex Valley due to flooding. The Hex River area accounts for approximately 33 percent (4,636 has) of total table grape area. Estimations indicate production in this area was down approximately 2 million cartons (4.5 kg/each), or 9,000MT. Production in CY2009 is forecast at 260,000 MT, slightly lower than CY2008, which was finalized at 267,081 MT by the South African Table Grape Industry (SATI).

Post revised historical and current table grape area due to increased contact and data sharing with the SATI. Previously this area included dried grape area. Planted and harvested area now only includes area planted for fresh grape production.

Final CY2007 table grape production has been updated to 281,368 MT based on industry data.

Consumption: Apples and Pears

Pome fruit domestic consumption is relatively stagnant, as most pome fruit is destined for the export market to take advantage of higher returns compared to the local market. As a result, once demand for the export market is satisfied, the remaining fresh production will be sent for local consumption.

In CY2008, high export demand fueled by high returns in the export market, caused the supply of fresh apples and pears available for domestic consumption to reach their lowest levels in about ten years or more. Fresh market sales of apples averaged approximately R 4,243/MT, while pears sales averaged R 3,716/MT. Export prices averaged 20 percent higher in apples (R 5,167/MT) and 50 percent higher for pears (R 5,585/MT) in CY2008.

As a result fresh domestic apple consumption in CY2008 was reduced to 181,382 MT, based on industry data. Exports of fresh apples in CY2008 totaled 331,105 MT, also based on industry and export data.

Fresh pear domestic consumption fell to 48,225 MT in CY 2008, based on industry data. Pears to processing also fell slightly in CY2008 to 129,473 MT. Fresh pear exports totaled 164,445 MT.

In CY2009, exports are forecast to fall slightly from last year's highs due to the effect of the global economic downturn, which has just become apparent in the last few months. It is expected that export markets will remain the same; however, volumes to those markets may be down slightly.

Increases of fresh apples to the processing sector were also apparent in CY2008 and will likely continue into CY2009 due to high demand for concentrated apple juice. Average prices for apples for processing more than doubled in CY2008, up from R 447/MT in CY2007 to R 1,056/MT in CY2008.

Apples to processing rose to 236,212 MT based on the above facts, as reported by industry.

Dried fruit and juice production compete directly for raw product. Many producers diverted their fresh fruit away from the dried fruit industry and to juice processors last year, due to the higher offering prices. Also, to supply fruit to the dried fruit industry, producers take on all of the risk, as they must dry the fruit before delivering to the dried fruit industry. Therefore, they must be absolutely certain their product meets the standards of the contract established with the dried fruit industry, or risk taking discounts on their production. Contrarily, in the juice industry, producers sell fresh fruit to the processors and do not take on as much risk.

Pears to processing did not increase as much as apples in CY2008, but are forecast to increase in CY2009 due to increased demand in the canning sector. Canning prices for Bon Chretien pears increased to R2,200 per ton, reducing the volume of this variety for export. However, Packman Triumph and Forelle crops are very promising with Forelle volumes expected to be at least 8 percent higher than last year. Average processed pear prices in CY2008 were R 918/MT, up about 30 percent from CY 2007.

Table Grapes

A change in methodology of data collection of local consumption resulted in improved statistics and gives the appearance of an increase in local demand for table grapes. In actuality, even though table grape consumption in South Africa is on the rise as household incomes increase and consumers demand more 'luxury goods' such as table grapes, the actual rate of demand increase is not as significant as one is led to believe if comparing year to year statistics alone. According

to the South African Table Grape Industry (SATI), table grape local market consumption increased 34 percent from CY2005 to CY2006. A major part of this increase can be attributed to improved data collection.

Due to this change in methodology, fresh grape domestic consumption rose to 43,974 MT in CY2007 and to 42,209 MT in CY2008. Post forecasts CY2009 will be similar to last year at 41,000 MT.

Historically, the South African table grape industry has been able to beat most of their Southern Hemisphere competition in the Northern Hemisphere markets due to earlier harvesting than Chile and Argentina. However, increased production in Peru, Brazil, and Northern Chile, has begun to threaten South African producers, as these countries will be harvesting in direct competition with South Africa and competing for the same markets. Even so, South Africa feels they can beat out their Southern Hemisphere table grape competitors on the basis of quality. An average South African yield of 4,000 cartons/hectare does not compete directly with a Chilean yield of 9,000 cartons/hectare. However considering the 'pickiness' of the European market, Chilean grapes have been known to suffer a 30 percent rejection rate, bringing down the yield suitable for export to Europe to approximately 6,000 cartons/hectare. South African table grape producers pride themselves on their ability to offer a quality product that will suit the discerning European market at a comparable, or better, price than their Southern Hemisphere competitors. This is where they will continue to focus to keep up their export markets.

Exports fell slightly in CY 2008 to 224,872 MT and will be down again in CY2009 to 219,000 MT due to competition in overseas markets by other southern hemisphere producers.

Concentrated Apple Juice

As mentioned above, deliveries to the processing sector increased in CY2008 due to increased demand for apple juice and higher returns to producers compared to the dried fruit industry. This increase in apples for processing led to an increase in apple juice concentrate production, and a decrease in imports. Exports increased slightly in CY 2008 due to the price competitiveness of South African apple juice concentrate.

The outlook for CY2009 is similar to last year. Production will decrease slightly which will be compensated by a slight increase in imports. Exports will continue strong, as South Africa remains price competitive in European markets.

Production, Supply and Demand Data Statistics:

Grapex, Fresh South Africa	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	23,107	23,107	14,010	23,200	23,200	14,010	23,300	23,300	14,010
Area Harvested	20,234	20,234	11,730	20,300	20,300	11,137	20,400	20,400	11,120
Commercial Production	264,081	264,081	281,368	270,000	270,000	267,081	272,000	272,000	260,000
Non-Comm. Production	0	0	0	0	0	0	0	0	0
Production	264,081	264,081	281,368	270,000	270,000	267,081	272,000	272,000	260,000
Imports	0	0	0	0	0	0	0	0	0
Total Supply	264,081	264,081	281,368	270,000	270,000	267,081	272,000	272,000	260,000
Fresh Dom Consumption	26,687	26,687	43,974	30,000	30,000	42,209	31,000	31,000	41,000
Exports, Fresh	237,394	237,394	237,394	240,000	240,000	224,872	241,000	241,000	219,000
For Processing	0	0	0	0	0	0	0	0	0
Withdrawal From Market	0	0	0	0	0	0	0	0	0
Total Distribution	264,081	264,081	281,368	270,000	270,000	267,081	272,000	272,000	260,000
TS=TD			0			0			0
Comments									
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Apple Juice, Concentrated South Africa	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Deliv. To Processors	190,484	190,484	188,624	190,030	190,030	234,492	190,000	190,000	226,764
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	32,382	32,382	32,080	32,400	32,400	40,430	32,400	32,400	39,090
Imports	25,000	21,953	17,245	25,000	22,000	12,745	25,000	22,000	14,000
Total Supply	57,382	54,335	49,325	57,400	54,400	53,175	57,400	54,400	53,090
Exports	17,000	14,943	14,943	19,000	17,000	16,256	20,000	18,000	18,000
Domestic	40,382	39,392	34,382	38,400	37,400	36,919	37,400	36,400	35,090
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	57,382	54,335	49,325	57,400	54,400	53,175	57,400	54,400	53,090
TS=TD			0			0			0
Comments									
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Author Defined:
Sterilized Insect Technique

The Sterilized Insect Technique Facility (SIT) for Mediterranean fruit fly production is located in Stellenbosch, South Africa and produces approximately 14 million fruit flies per week. The program operates by selling flies to producers who then release them on their farms. The sterilized males mate with wild females which results in infertile eggs being laid.

Due to the fact the fruit flies, once released, do not remain on the farm which purchased the flies, but travel to other farms in the area, where they will continue with their mating, the deciduous fruit industry is petitioning the South African National Department of Agriculture to apply a statutory levy on production to pay for the program.

The levy would not be applied equally across the country, but would be administered in regions. All the producers in a certain region would pay for the program and all would benefit. The reason for the regionalization of the program is that not all production areas, nor crops, are affected equally. For example, in major wine grape areas, producers may not decide to implement the program, as the quality of wine grapes are not affected by med flies. The med fly will affect the appearance of the fruit and since wine grapes are crushed and otherwise manipulated to attain their final product, the appearance of the fruit is not an issue.

The aim of this program is to reach low pest prevalence, as total eradication is a lofty goal since the insect is endemic to most countries in the world. Low pest prevalence is an achievable goal as deciduous fruit areas are located in valleys and are somewhat isolated. Currently the program is administered by providing producers with brown paper bags filled with sterilized flies. They are then put into traps on the farms where they find mates. Once a levy program is implemented, the industry would like to move to aerial bombardment via airplanes as a more effective and efficient manner of disbursement.

Pre-clearance Program to the United States

Only three provinces in South Africa are approved to export fresh fruit to the United States. These provinces are Western Cape, Eastern Cape, and Northern Cape, with the majority of the fruit coming from the Western Cape.

All exports of deciduous and citrus fruit are embarked from the Cape Town port and must be inspected prior to departure from Cape Town. During this inspection, USDA/APHIS looks for any quarantine pests such as fruit flies (larvae included) or False Coddling Moth. Additionally, APHIS and the South African National Department of Agriculture certify the cold treatment process. Once the entire product is on the ship, the hold is sealed and the cold treatment is started and lasts 22 days while on transit to the United States. Previously, this treatment was only 20 days, but in the early 2000's, a false coddling moth was found alive after the 20 days treatment, prompting APHIS officials to lengthen the process by 2 days – something SA officials are trying to change.

Upon arrival at the U.S. port, the shipment is inspected once again by the Department of Homeland Security. The records of the temperatures of the ship are reviewed to ascertain if the temperature remained within the allowable limits during the 22 days. If the temperature rose

above the maximum allowable temperature, the cold treatment must be extended by 8 hours for each incident.

Exports normally occur in ship holds; however, recently, container shipments have become common. A problem last year with containers from the a certain company resulted in some shipments reaching max temperatures several times during the trip. In order to comply with the cold treatment, these shipments had to be held at temperature for an additional 30 days. The company in question ceased providing refrigerated containers for export to the United States.

Citrus is the main fruit that uses the U.S. pre-clearance program. Apples, pears and organic table grapes, are also inspected. There is not enough trade in conventional table grapes to include them in the program.